

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 /104 W

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R 091600Z JUN 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2555

INFO AMEMBASSY PARIS

C O N F I D E N T I A L ALGIERS 1344

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJECT: ALGERIAN GAS SALES TO US

1. DISTRIGAS DESCRIBED STATUS OF THEIR NEGOTIATIONS WITH SONATRACH FOR LNG ON JUNE 5 1975. TONE OF MEETINGS HAS GREATLY IMPROVED AND DISTRIGAS HAS STRONG BELIEF THAT AFTER SEVERAL MONTHS OF STALLING, SONATRACH IS READY AND WILLING TO SELL TO US.

2. AS IN EASCOGAS CASE, WHO WERE ALSO IN ALGIERS AND FOR FIRST TIME TWO GROUPS ARE IN SAME HOTEL, NEGOTIATIONS CENTERING AROUND FIRST EARLY SHORT-TERM PURCHASE OF AVAILABLE ALGERIAN LNG AND SECOND, A LONG-TERM LARGE QUANTITY TRANSACTION.

3. IN VERY SHORT TERM, DISTRIGAS PLANS TO FINISH UNLOADING THEIR SMALL LNG TANKER "DESCARTES" AND BRING IT TO SKIKDA IN EARLY JULY 1975. THIS WOULD BE FIRST LNG SHIPMENT TO US SINCE 1973 AND WOULD BE MADE UNDER OLD 1970 DISTRIGAS CONTRACT. PLAN WOULD BE TO MAKE 3
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MORE SHIPMENTS TO EVERRETT IN 1975. THEN, STILL SHORT-

TERM, VOLUME WOULD PICK UP WITH LNG FROM SKIKDA 4 WHICH SHOULD GO ON STREAM IN 1976. EVERRETT HAS CAPACITY TO HANDLE FULL LNG PRODUCTION OF SKIKDA 4 AND PART IF NOT ALL OF SKIKDA 5 AND 6. EASCOGAS' STATEN ISLAND LNG TERMINAL IS BEING CLOSED DOWN WHILE HEARINGS CONTINUE AND THEIR PROVIDENCE TERMINAL IS ONLY COMPLETED TO EXTENT OF RECEIVING DISTRIGAS LNG BARGE. DISTRIGAS HOPES TO CONCLUDE SHORT-TERM CONTRACT FOR SUPPLYING EVERRETT IN NEXT 4-6 WEEKS.

4. LONG-TERM CONTRACT FOR LNG SHOULD ALSO BE COMPLETED SHORTLY AFTER SHORT-TERM CONTRACT. LONG-TERM CONTRACT WOULD COVER LNG FROM SKIKDA 4, 5 AND 6. THEREFORE, THERE IS SOME COMPETITION BETWEEN DISTRIGAS AND EASCOGAS FOR GAS FROM SKIKDA 5 AND 6, BUT EASCOGAS IS ACCEPTING TO BUY GAS FROM TWO ADDITIONAL TRAINS, YET TO BE BUILT OR SPECIFIED.

5. ALL CONTRACTS WOULD OF COURSE BE SUBMITTED TO FPC FOR APPROVAL, BUT RAPID ACTION IS EXPECTED ON SHORT-TERM CONTRACTS. SONATRACH HAS HESITATED BUT IS NOW WILLING TO SEND EXPERT TO HEARINGS ON TECHNICAL ASPECTS OF SECURITY OF SUPPLY.

6. DISTRIGAS DID NOT COMMENT ON PRICE EXCEPT 1975 SHIPMENTS WOULD BE UNDER OLD CONTRACT AND OLD PRICE. DISTRIGAS OFFICIALS MERELY NODDED WHEN EMBOFF CITED PRICE OF 1.20-1.50 PER MILLION BTU. HOWEVER, DISTRIGAS DID SAY THAT LAST FEBRUARY WHEN THEY THOUGHT THEY WERE CLOSE TO AGREEMENT, SONATRACH VP FOR GAS SALES BOUGARRA STALLED AND EXPLAINED HE DID NOT WISH TO ARRIVE AT LONG-TERM GAS PRICE AND FORMULA JUST BEFORE OPEC STARTED TO CONSIDER A COMMON, MINIMUM GAS PRICE.

7. ON SHIPPING, DISTRIGAS SAID THAT THERE WAS A GLUT OF LNG TANKERS. FOR EXAMPLE, BEN FRANKLIN WILL TRY TO SQUEEZE INTO FOS FOR LNG TESTING AND THEN WILL PROBABLY BE LAID UP. IN ADDITION, THERE ARE THREE OTHER LPG/LNG CARRIERS LOOKING FOR WORK. FIRST OF

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FIVE BIG ALGERIAN LNG TANKERS WAS RECENTLY LAUNCHED IN FRANCE, BUT IT WILL NEED A YEAR TO BE COMPLETED. ALGERIAN ORDER FOR 3 MORE LNG TANKERS WAS WON BY SWEDES THREE MONTHS AGO, BUT BUILDER HAS BEEN INFORMED NOT TO PROCEED UNTIL SEPTEMBER WHEN ALGERIANS WILL HAVE COMPLETED A REASSESSMENT OF THEIR LNG TANKER NEEDS. LYNE

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